

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

HB 918 - SB 1194

February 25, 2013

SUMMARY OF BILL: Authorizes the University of Tennessee (UT) to enter into contracts to become a guarantor for bonds issued in the amount of \$98,000,000 for a proton therapy center in Knoxville, Tennessee. Requires approval of the Tennessee State School Bond Authority (TSSBA) for any proposed guaranty.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – To the extent an original debt holder defaults in performing the bonds according to the original terms of the bonds, the net liability to the University of Tennessee (UT) could increase by an unknown amount reasonably estimated to exceed \$50,000,000. However, to the extent an original debt holder performs the bond according to the original terms of the bond; any change in liability to the UT is estimated to be not significant.

Assumptions:

- The fiscal impact of this bill is dependent upon multiple unknown factors, including but not limited to, the debt holder's ability to pay all costs associated with any applicable bond issuance, the principal amount of the bonds, the term of the bonds, the coupon rate for the bonds, whether the bond is callable, the probability of the bond getting called, the extent to which UT has entered into a third-party agreement for reimbursement of costs, the extent of any reimbursements made to UT from any third-party entity, the extent to which UT would make annual payments on debt service for the bond, the extent to which any real property assets secure the debt issuance, and the extent to which any real property assets would be liquidated to cover costs associated with the bond.
- Given the extent of unknown factors, the precise fiscal impact of this bill is unknown and cannot be quantified.
- To the extent an original debt holder makes all applicable payments and performs the bond according to the original terms of the bond, any additional liability to the state (UT) could be not significant.

- To the extent an original debt holder defaults in performing the bond according to its original terms, the net liability to the state (UT) could reasonably increase by an unknown amount exceeding \$50,000,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a larger, more prominent script than the last name "Geise".

Lucian D. Geise, Executive Director

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